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SUBJECT: ICELAND: GOVERNING COALITION NEEDS AN ELECTION-EVE MIRACLE  
TO CONTINUE

Refs: A) Reykjavik 127

B) Reykjavik 125

C) Reykjavik 114

11. (U) Summary: In the final days before Iceland's May 12 parliamentary elections, highly volatile poll data has shown drastic changes in party support. The Progressive Party is polling higher than it has for months, while the Left Greens are losing the momentum they had been gaining over the past year. The margins are slim enough that the prospects for the current government's hold on power vary from poll to poll. Prominent analysts have declared that voters will essentially be putting the current government's economic policies on trial. A plurality of voters would prefer to see the same government on May 13, but popular distaste for the Progressives stands a good chance of forcing PM Haarde's Independence Party into coalition with the Social Democratic Alliance. End Summary.

12. (U) Gallup started releasing daily polling data on May 7 ahead of the May 12 elections to the Althingi (parliament). The most recent results (May 10) were as follows:

Percentage of voters expressing a preference (Gallup):

Independence (IP):	36
Social Democratic Alliance (SDA):	26
Left-Green (LG):	16
Progressive (PP):	14
Liberal (LP):	7
Iceland Movement (IM):	2

Undecided/no preference stated: 11 percent of respondents.

13. (U) Compared to Gallup and Frettabladid polling data two weeks ago (Ref. A), the IP's support is dwindling somewhat, in keeping with its history of scoring higher in the polls than on Election Day. The PP is now rising faster than it has for months, polling at 14 percent, having gained about four percent in two weeks. Historically, the PP, in contrast to the IP, always fares better in elections than in opinion polls. Support for the Left-Greens, which peaked several weeks ago, is now measuring 16 percent. This is consistent with past pre-election indicators, where the LG tends to steadily lose voter support shortly before elections. The SDA is now winning back the support that it earlier lost to the Left Greens, as more and more voters may be realizing that the Left Greens would be an uneasy partner in a coalition government. In contrast, voters may be catching on to the idea that the SDA's center-left policy could be more amenable to the IP, were these two parties to form a government.

14. (U) Both Independence and the Progressives are hoping that voters' general happiness with their standard of living will translate into support on election day. A May 7 Frettabladid poll showed that more than one third of the electorate would like the current coalition government to stay in power, which is an increase

of eight percent since late April. Other possible coalitions fared considerably worse: twenty percent of voters prefer a left-of-center government that would consist of the Social Democratic Alliance and the Left Green Movement, while about 15 percent favor an IP-SDA government and approximately nine percent fancy an IP-LG coalition.

15. (SBU) Comfort with the current coalition aside, two days away from the elections, results differed from one poll to the next about whether the current IP-PP government will lose or maintain its majority. The most recent Gallup poll shows the current IP-PP coalition with a slim one-seat majority, but polls by Frettabladid and Bladid on May 10 and 11 both show the government losing its majority. Prominent PP members, such as Foreign Minister Valgerdur Sverrisdottir and Minister of Agriculture Gudni Agustsson, have said that the party needs greater support in order to be able to stake a claim to extend its partnership in the current coalition. Agustsson stated that the party needs to get 17-20 percent for this to happen. (Comment: This would be an amazing last-minute turnaround, even for the Progressives.)

16. (U) As a result, a number of political observers and pundits now predict an IP-SDA coalition. They think that in order for Icelandic politics not to become stagnant a new coalition must take over the reins. The PP's following has, moreover, dwindled to such an extent that it would not have a legitimate place in government. The observers also note that there are not as many ideological differences between the IP and the SDA as there would be in an Independence/Left-Greens coalition. An IP-SDA coalition would be a robust one in parliament and reminiscent of the so-called Resurrection Government (Vidreisnarstjorn)--that consisted of the IP and the Social Democratic Party, one of the forerunners to the SDA--and was in power from 1959-1971. The Resurrection Government has, in fact, been called one of the two "islands of stability" in Icelandic politics, the other one being the current IP-PP coalition that has been in power since 1995.

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17. (SBU) Comment: Voters are not awed by the ongoing election campaign, which many characterize as lackluster. Environmental protection has virtually disappeared from the campaign over the last week continuing the trend since the March 31 Hafnarfjordur referendum (Ref. A). A lack of disagreement on election issues in general has enabled the IP and PP to champion the vibrant economy and the high standard of living, which has been achieved under the current coalition, without much resistance from the opposition. The biggest problem for the Independence Party is that voters are tired of the Progressives, who despite their late run but may not draw enough support to keep the government in power. Absent a Progressive miracle, Prime Minister Haarde (Independence) will be searching for a new coalition partner come May 13. He may find that the Social Democratic Alliance offers a smaller ideological gap to bridge than his other potential partners. End Comment.

VAN VOORST